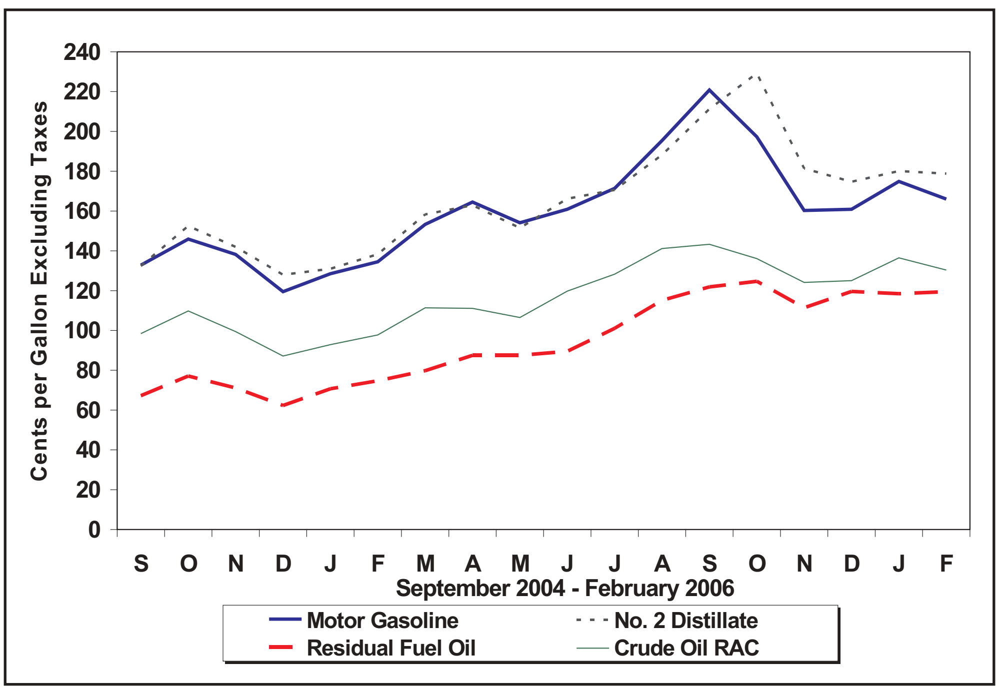
Highlights

Despite many countervailing issues, world crude oil prices declined overall in February. The decrease was due in large part to slower demand and robust crude oil stocks in Atlantic Basin markets. In particular, the beginning of a heavy slate of refinery maintenance in the United States dampened demand, exacerbating the effect of inventory levels that continued to be firmly above the average range for this time of year. Repeated reports of growing stock levels in key markets only added to the downward pressure on prices that fell steeply during the first half of the month. Prices began to reverse direction at mid-month as a number of other matters came into play. Ongoing violence by militants in Nigeria continued to disrupt oil production and export operations in the world's eighth largest oil exporter. A series of attacks on pipelines, an export terminal, and the kidnaping of nine foreign oil workers were estimated to have reduced exports by approximately 20 percent and spurred prices higher in the latter part of the month. A growing dispute between Western nations and Iran (the world's fourth largest oil exporter) over that country's efforts to pursue nuclear fuel research also underpinned prices. Iranian government officials maintain the disagreement will not affect oil exports. Trouble-prone exports from Iraq along with hindered exports from Russia due to inclement winter weather also influenced prices. Finally, an attack on a Saudi Arabian oil processing facility on February 24 provided led to a short-lived spike in prices. Although it did not affect production activities, the attack on the Abqaiq oil facility—which killed four militants and two guards—added to market unease.

Crude oil and refined product prices in the United States fell overall in February as inventories repeatedly registered increases. Unseasonably warm temperatures in January dampened demand for heating oil, which in turn allowed stocks to build and prices to fall. Although temperatures moved to more seasonal levels in February, and a severe snowstorm struck the Northeast (the main heating oil consuming region of the country) early in the month, heating oil prices remained enervated. Gasoline prices registered the most significant decreases due to robust stock levels. Further, the coming switch to producing lower RVP summer-specification product spurred a sell-off of winter specification gasoline. Notably, the spot price for regular gasoline at New York Harbor fell below the price for West Texas Intermediate (WTI) crude oil during the second week of the month. Stock levels also significantly influenced crude oil prices, which registered increases throughout the month. Prices began to rebound at mid-month, thanks to a combination of

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 2006		January 2006		Febuary 2005		February 2006		January 2006		Febuary 2005	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	183.5	58.7	187.3	55.4	146.8	59.1	166.0	311.8	174.9	289.3	134.5	318.3
Conventional	179.6	33.0	185.7	30.8	143.5	32.9	163.2	208.4	173.1	190.3	131.8	211.0
Regular	177.3	27.9	183.6	26.1	141.0	26.9	161.9	181.8	171.9	164.9	130.5	181.5
Midgrade	187.4	2.9	192.3	2.7	150.2	3.3	168.1	10.8	175.7	10.4	136.8	11.0
Premium	198.4	2.2	203.6	2.0	159.8	2.6	174.2	15.8	185.2	15.0	141.6	18.4
Oxygenated	181.5	2.5	184.9	2.7	144.5	3.5	168.6	10.0	170.9	9.6	136.9	11.6
Regular	179.6	2.1	182.6	2.2	142.8	2.7	167.2	8.2	169.7	8.0	135.3	9.4
Midgrade	188.0	0.3	191.7	0.3	146.8	0.5	170.5	1.0	172.3	0.9	138.5	1.1
Premium	194.6	0.2	200.0	0.2	156.5	0.3	182.0	0.8	183.0	0.7	149.2	1.1
Reformulated	189.4	23.2	190.0	22.0	152.1	22.7	172.0	93.4	179.1	89.4	139.9	95.6
Regular	185.6	17.8	186.3	16.9	148.3	16.9	169.3	76.9	176.9	74.1	137.7	75.9
Midgrade	196.4	2.6	197.1	2.4	158.8	2.8	180.4	3.7	184.4	3.5	145.4	4.8
Premium	206.8	2.8	206.6	2.6	167.1	3.1	185.7	12.8	191.4	11.8	149.7	14.9
Aviation Gasoline	232.4	0.1	239.1	0.1	W	W	209.6	0.4	218.7	0.4	170.0	0.4
Kerosene-Type Jet Fuel	185.5	40.9	184.2	40.1	137.5	45.4	182.5	15.7	182.4	15.1	137.9	14.0
Propane (Consumer Grade)	138.8	4.2	NA	3.7	103.3	3.0	97.4	40.6	104.3	38.2	79.0	45.7
Kerosene	218.8	0.2	224.9	0.2	152.7	0.5	184.7	2.4	191.6	2.7	145.1	3.3
No. 1 Distillate	198.2	0.3	193.9	0.4	152.3	0.4	182.8	3.3	194.3	2.4	151.0	2.3
No. 2 Distillate	186.9	17.9	185.3	18.3	142.7	21.2	178.8	143.8	180.1	132.9	138.3	140.7
No. 2 Fuel Oil	185.5	2.0	188.4	2.2	141.4	2.7	171.1	26.6	175.6	22.5	134.1	26.7
No. 2 Diesel Fuel	187.0	15.9	184.9	16.1	142.9	18.5	180.6	117.2	181.0	110.4	139.3	114.0
Low Sulfur	191.3	10.8	189.1	10.6	145.0	11.9	182.2	99.7	182.1	93.0	140.1	95.3
High Sulfur	178.0	5.1	177.0	5.6	138.9	6.5	171.1	17.6	175.4	17.3	135.0	18.7
No. 4 Fuel[a]	W	W	W	W	W	W	W	W	W	W	W	W
Residual Fuel Oil	125.4	10.7	124.2	10.3	81.4	11.0	119.5	3.8	118.5	3.7	74.7	7.7
Sulfur Content not > 1 %	137.8	3.5	134.6	3.9	88.1	5.0	122.2	2.5	125.8	2.1	85.7	3.8
Sulfur Content > 1 %	119.5	7.2	117.8	6.4	75.9	6.1	114.6	1.3	108.8	1.6	63.9	3.9

NA = Not available.
W = Withheld to avoid disclosure of individual company data.
[a] Includes No. 4 fuel oil and No. 4 diesel fuel.
Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.
Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual.*
Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

market technical and fundamental factors, along with geopolitical incidents affecting the oil industry. Gasoline prices saw the sharpest increase just prior to the long holiday weekend, as market players began to consider the heavy slate of refinery maintenance scheduled to begin in earnest in the near future. Notably, although inventories were robust, crude oil production in the Gulf of Mexico remained below normal levels. According to the Minerals Management Service (MMS), as of February 22, shut-in oil production amounted to 362,796 barrels per day, which is close to 24.2 percent of the current daily oil production in the region. Additionally, several refineries in the Gulf Coast region remain off-line due to storm-related damage. Despite brimming stock levels for all the major products, a comparison of current prices to year-ago levels show significant changes in the market. Although the monthly average spot market price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma fell from $65.49 per barrel last month to $61.63 per barrel in February 2006, the price was $13.48 per barrel (28.0 percent) more than the average price of $48.15 per barrel in February 2005. The monthly average price for No. 2 fuel oil was $1.639 per gallon in February 2006 compared with $1.343 per gallon in February 2005, a difference of 29.6 cents per gallon (22.0 percent). The average No. 2 fuel oil price was $1.751 per gallon in January 2006. The price for regular gasoline averaged $1.499 per gallon in February 2006, declining 23.6 cents from last month's level, but 27.5 cents per gallon (22.5 percent) higher that the February 2005 level of $1.224 per gallon.

Additional February market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Thanks to robust stock levels and refinery maintenance, the daily spot price for West Texas Intermediate (WTI) crude oil fell in February. After opening at $67.86 per barrel, its highest level for the month, the price moved steadily downwards as supply reports continued to show increases in inventory levels. The price fell to its low of $57.61 per barrel on February 15 following the release of weekly supply data showing a larger-than-expected increase in crude oil stock levels. Rising moderately after that point due to international political issues and market technical factors, the price closed February at $61.37 per barrel, $6.52 below its opening level for the month.

- Monthly average crude oil prices for February fell from January levels. The average domestic crude oil first purchase price declined $2.03 (3.5 percent) to $55.82 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil decreased $3.42 (6.4 percent), to $50.37 per barrel. The average landed cost of foreign crude oil fell $3.48 (6.3 percent), to $51.92 per barrel.

- The average refiner acquisition cost for domestic crude oil decreased $1.10 (1.8 percent), to $59.02 per barrel. The average cost of imported crude oil to U.S. refiners dropped $3.24 (5.8 percent), to $52.66 per barrel, while the composite refiner acquisition cost for crude oil declined $2.58 (4.5 percent), to $54.74 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor followed an unsettled course during February. After opening at $1.696 per gallon, its highest level for the month, the price began a steep decline that lasted through mid-month. The month's low of $1.352 per gallon occurred on February 14, following the release of the weekly EIA supply report showing the sixth consecutive increase in gasoline inventories. The price began to rally after that point, due to impending specification changes and current and approaching refinery maintenance. Concern about the adequacy of supplies during and after a heavy turnaround season also underpinned the increase. Although it continued at the more invigorated pace, the price closed the month at $1.578 per gallon, 11.8 cents below February's opening level.

- Monthly average prices for gasoline fell in February. The average price for retail sales of motor gasoline by refiners declined 3.8 cents to $1.835 per gallon, while the average wholesale price decreased 8.9 cents to $1.660 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 4.2 cents to $1.835 per gallon. The average wholesale price for gasoline fell 9.4 cents to $1.665 per gallon. The average dealer tank wagon (DTW) price declined 6.0 cents to $1.742 per gallon, while the average rack price fell 11.2 cents to $1.643 per gallon. The average bulk sale price declined 8.3 cents to $1.603 per gallon. Reformulated gasoline prices were 8.5 cents higher than conventional gasoline prices at retail, and 7.0 cents more at wholesale. Prices for oxygenated gasoline were 0.9 cent lower than conventional gasoline at retail, but 6.6 cents higher at wholesale.

- Refiner sales of motor gasoline increased during February. Total sales rose 25.8 million gallons per day (7.5 percent) to an average of 370.5 million gallons per day. Retail sales climbed 3.3 million gallons per day (6.0 percent), while wholesales rose 22.5 million gallons per day (7.8 percent). Rack sales accounted for 71.6 percent of wholesales, while DTW and bulk sales represented 14.6 percent and 13.9 percent, respectively. Reformulated gasoline made up 31.5 percent of total motor gasoline sales, while oxygenated gasoline formed 3.4 percent of sales.

No. 2 Distillate

At New York Harbor, the daily spot price for No. 2 heating oil moved along a changing path during February. Following the trend seen throughout the complex, the price opened at its highest level for the month, $1.762 per gallon, then began a firm decline that lasted through mid-month. As with other products, robust stock levels drove the decline, but in this instance, continued warm winter temperatures also influenced the heating oil price. The month's low was struck on February 14 when the price reached $1.544 per gallon. Rebounding after that point, the price continued to rise through the end of the month. Closing at $1.712 per gallon, the price was 5.0 cents below its opening level for February.

- February No. 2 distillate prices show only modest changes from January levels. The national average residential sales price declined 1.8 cents to $2.310 per gallon. The average wholesale price dropped 1.6 cents to $1.796 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets inched up 0.6 cent, while the average wholesale price for No. 2 diesel fuel decreased 0.4 cent. The difference between low- and high-sulfur diesel fuel prices was 10.8 cents at retail, and 10.4 cents at wholesale.

- Sales of No. 2 distillates by refiners increased in February. Total sales rose 10.6 million gallons per day (7.0 percent), to 161.7 million gallons per day. Sales of No. 2 fuel oil climbed 3.9 million gallons per day (15.8 percent), while sales of No. 2 diesel fuel rose 6.7 million gallons per day (5.3 percent). Low-sulfur diesel fuel formed 83.0 percent of all refiner diesel fuel sales, and 68.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- For the most part, monthly average residual fuel oil prices increased during February. Refiner prices for low-sulfur residual fuel oil rose 3.2 cents to $1.378 per gallon at retail, but fell 3.6 cents to $1.222 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil increased 1.7 cents to $1.195 per gallon, while the wholesale price rose 5.8 cents, to $1.146 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 3.9 cents to $1.371 per gallon at retail, and 1.0 cent to $1.213 per gallon at wholesale. The retail price for high-sulfur residual fuel oil increased 2.0 cents to $1.194 per gallon, while the wholesale price rose 6.4 cents to $1.140 per gallon.

- Refiner residual fuel oil sales show only small changes in February. Total sales increased 500,000 gallons per day to 14.5 million gallons per day. Low-sulfur residual fuel oil sales remained flat, while high-sulfur residual fuel oil sales rose 500,000 million gallons per day (6.3 percent).

Other Products

- For the most part, February prices for the rest of the surveyed products declined from January levels. The refiner retail price for propane fell 3.8 cents per gallon, while the wholesale price dropped 6.9 cents per gallon. Including data from a sample of propane marketers, the average residential propane price declined 2.2 cents per gallon, while the average retail price decreased 0.6 cent per gallon. The average wholesale propane price declined 6.2 cents per gallon. Aviation gasoline and kerosene prices dropped at both the retail and wholesale levels, while prices for kerosene-type jet fuel rose in both categories. No. 1 distillate prices increased at retail, but declined at wholesale.

- Refiner sales of these products generally increased during February. Sales of propane, kerosene-type jet fuel, and aviation gasoline rose at both the retail and wholesale levels. Kerosene sales increased at retail, but declined at wholesale, while sales of No. 1 distillate did just the opposite.